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Rayrock
Mines
L I M I T E D

ANNUAL REPORT 1966



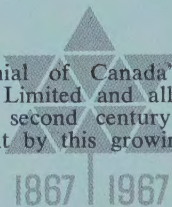
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RAYROCK MINES LIMITED

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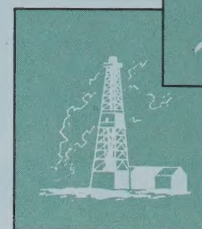
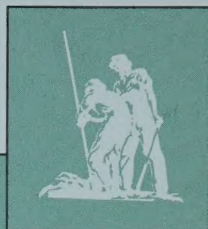


In this centennial of Canada's Confederation, Rayrock Mines Limited and all Canadians look forward to the second century of achievement and advancement by this growing country.



1867 | 1967

RAYROCK MINES LIMITED



PRINCIPAL INTERESTS AND HOLDINGS

PETROLEUM

OIL

- Estimated Cash Flow 1967 — \$300,000.
- Proven Reserves — 2,600,000 barrels of oil.

MINING

COPPER

- Holds 25% interest in Icon Syndicate in the Chibougamau Area, Quebec. Scheduled to start production in May 1967 at 600 tons per day from high grade open pit operations.

GOLD

- Holds effective control, 34.5% interest, in Discovery Mines — producing gold bullion for 17 years. Discovery has other gold interests with good production potential. Holds 22% interest in Tundra Gold Mines in its third year of production.

PRINCIPAL ASSETS

Cash, Short Term Notes, etc. (Net)	\$ 775,285
Investments — Listed Stocks, Market Value	2,260,600
Unlisted Stocks, Book Value	534,537
Oil Properties and Well Equipment (less write-offs)	808,772

PRINCIPAL SHAREHOLDINGS

Listed on The Toronto Stock Exchange	Shares
Bell Telephone Company of Canada	700
Consolidated Mogul Mines Limited	51,000
Crestland Mines Limited	46,000
Discovery Mines Limited	943,970
Great Northern Gas Utilities — 6% Preferred	1,000
Kerr Addison Mines Limited	12,000
Opemiska Copper Mines (Quebec) Limited	8,500
Power Corporation — 4.75% Preferred	500
Radiore Uranium Mines Limited	183,100
Trans Canada Pipe Lines — 5.6% Preferred	500
Tundra Gold Mines Limited	136,122

RAYROCK MINES LIMITED

OFFICERS: J. C. BYRNE, *President*
J. J. BYRNE, *Vice-President*
D. S. HAMILTON, *Secretary-Treasurer*

DIRECTORS: J. C. BYRNE, Toronto Ont.
J. J. BYRNE, Toronto, Ont.
D. S. HAMILTON, Toronto Ont.
J. J. RANKIN, Toronto, Ont.
H. BRODIE HICKS, P.Eng., Toronto, Ont.

MANAGEMENT: J. C. BYRNE, *Managing Director*, Toronto, Ont.
A. E. MACKAY, P.Eng., *General Manager*, Toronto, Ont.

**CONSULTING
ENGINEER:** NORMAN W. BYRNE, P.Eng., Yellowknife, N.W.T.

**HEAD OFFICE
ENGINEER:** J. L. WARD, P.Eng., Oakville, Ontario

SOLICITORS: MUNGOVAN & MUNGOVAN, 80 King St. W., Toronto, Ont.

AUDITORS: EDDIS & ASSOCIATES, 85 Richmond St. W., Toronto, Ont.

**TRANSFER AGENTS
AND REGISTRARS:** CROWN TRUST COMPANY, 302 Bay St., Toronto, Ont.

BANKERS: ROYAL BANK OF CANADA, Bay and Temperance Branch,
Toronto, Ont.

EXECUTIVE OFFICE: SUITE 1011, 2200 YONGE ST., Toronto 12, Ont.

RAYROCK MINES LIMITED



THE ANNUAL MEETING of the shareholders will be held on Friday, March 3, 1967, at 10:30 o'clock in the forenoon, E.S.T., in the Saskatchewan Room, Royal York Hotel, Toronto, Canada.

RAYROCK MINES LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS OF
RAYROCK MINES LIMITED

It is a pleasure to present the Annual Report for the year ending October 31, 1966.

Your Company's interests are well diversified in mining and oil production and in exploration.

Future income to the Company will increase substantially through our holdings in the Icon Syndicate copper property scheduled for early production, through increased production from recent additions to our petroleum reserves and from investments.

Production from the Icon Syndicate copper deposit will begin in May 1967 by open pit mining and using the mill and plant facilities of Merrill Island Mining Corporation. Expensive and time consuming shaft sinking and mill construction will not be required. Production will come at a time when we are enjoying a very favourable copper price.

We have just completed the purchase of interests in additional producing oil leases in southwestern Ontario from Alcon Petroleums Ltd., an Alberta based company. The transaction will add some 600,000 barrels of oil to Rayrock's petroleum reserves. Your Company has been engaged as Operator of the Alcon-Rayrock production.

Rayrock is very active in exploration ventures and in examination of mineral prospects both in participation with other companies and on its own account.

We extend our sincere thanks and appreciation to all personnel for their continued contribution to the success of your Company.

On behalf of the Board of Directors,

J. C. BYRNE,
President and Managing Director.

Toronto, Ontario,
January 24, 1967.

RAYROCK MINES LIMITED

Consolidated Balance Sheet

ASSETS			
CURRENT			
Cash	\$ 117,058		
Short-term notes and certificates, at cost	600,000		
Accounts receivable	70,961		
Estimated income taxes refundable	8,586	\$ 796,605	
Investment in shares of other companies at cost less proceeds from disposals			
Listed stocks (quoted market value \$2,260,600)	1,800,067		
Unlisted and escrowed	534,537	2,334,604	
OTHER INVESTMENTS			
Income debentures of Tundra Gold Mines Limited, 6% due April 1, 1970		235,000	
OIL PROPERTIES			
Petroleum and natural gas leases, at cost less accumulated depletion of \$88,435	709,973		
Non-producing leases, at cost	26,251		
Well equipment, at cost less accumulated depreciation of \$51,251	72,548	808,772	
MINING PROPERTIES			
Mining claims and options, at cost		248,639	
OTHER ASSETS			
Sundry accounts receivable	16,936		
Interest in unexpended funds of mining exploration syndicates	13,323		
Prepaid expenses	1,605		
Head office furniture and fixtures, at cost less accumulated depreciation of \$3,178	5,581		
Incorporation and organization	10,667	48,112	
Excess of cost of investment in subsidiary company over the book value of its assets		291,821	
		<u>\$4,763,553</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT OCTOBER 31, 1966

1. Included in this consolidation are the accounts of Elgin Petroleum Corporation Limited, a wholly-owned subsidiary company, for the year ended October 31, 1966.
2. The Income Debentures of Tundra Gold Mines Limited have been subordinated to the bank to assist in the financing of that company. As of the date of these financial statements, Tundra Gold Mines Limited was not indebted to its bankers.
3. The directors have approved a draft agreement covering the purchase of a 40% interest in certain producing leases in the Rodney Oil Field, Ontario, and a 10% interest in certain producing leases in the Gobles Oil Field, Ontario for a total price of \$325,000 cash payable on January 23, 1967. Rayrock Mines Limited will be the operator of these leases.
4. The directors have approved a 25% participation in the Icon Sullivan Joint Venture for the purpose of bringing its property into production. The estimated cost of the company's participation — \$400,000 will be expended through Elgin Petroleum Corporation Limited.
5. It is estimated that there is no liability for income taxes for the year because of deductions claimed for income tax purposes.



at October 31, 1966

LIABILITIES

CURRENT

Accounts payable and accrued charges \$ 21,320

CAPITAL AND SURPLUS

Capital Stock —

Authorized:

4,500,000 shares of \$1.00 par value each \$4,500,000

Issued and fully paid:

4,460,000 shares \$4,460,000

Contributed Surplus 619,318

5,079,318

Less: Deficit from Operations 337,085 4,742,233

The accompanying Notes are an integral part of these financial statements and should be read in conjunction therewith.

Approved on behalf of the Board,

J. C. BYRNE, Director.

J. J. BYRNE, Director.

\$4,763,553

AUDITORS' REPORT

To the Shareholders,
Rayrock Mines Limited.

We have examined the Consolidated Balance Sheet of Rayrock Mines Limited as at October 31, 1966 and the Consolidated Statements of Deficit and Operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Consolidated Balance Sheet and accompanying Consolidated Statements of Deficit and Operations present fairly the financial position of the company as at October 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying Consolidated Statement of Source and Application of Funds which, in our opinion, present fairly the sources and applications of funds of the company for the year ended October 31, 1966.

Toronto, Canada,
December 16, 1966.

EDDIS & ASSOCIATES,
Chartered Accountants.

RAYROCK MINES LIMITED

CONSOLIDATED SCHEDULE OF EXPENDITURES — EXPLORATION DIVISION

FOR THE YEAR ENDED OCTOBER 31, 1966

EXPLORATION AND DEVELOPMENT — MINING PROPERTIES

Icon Syndicate — Quebec and New Brunswick	\$ 56,540	
Underground exploration — Velvet Mine, Rossland, British Columbia ..	14,824	
Electromagnetic survey — Leseur Township, County of Abitibi East, Quebec	10,325	
Redfort Syndicate — Yukon Territory	12,278	
Share of expenditures on optioned Popelogan claims — New Brunswick	9,439	
Exploration — Sulphur Bay Area, Northwest Territories	7,399	
Prospecting and exploration — Ontario, Quebec, British Columbia and Northwest Territories	10,073	
Mining properties and options abandoned	11,948	\$ 132,826

EXPLORATION AND DEVELOPMENT — OIL PROPERTIES

Well drilling — Dereham Township, Ontario	3,881	
Lease rentals and sundry exploration	2,840	6,721

HEAD OFFICE AND ADMINISTRATION

Directors' fees	2,500	
Government licenses, fees and taxes	1,694	
Interest and bank charges	1,698	
Legal and audit	7,539	
Management salaries	25,370	
Office services, rent, etc.	10,867	
Shareholders' information	11,053	
Telephone and telegraph	1,192	
Transfer agents' fees and expenses	3,176	
Travelling and moving expense	2,478	67,567

Total expenditures for the year — Exploration Division		<u>\$ 207,114</u>
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RAYROCK MINES LIMITED

CONSOLIDATED SCHEDULE OF REVENUE AND EXPENDITURES — OIL DIVISION

FOR THE YEAR ENDED OCTOBER 31, 1966

Oil sales	\$ 398,485	
Less: Royalties	43,687	\$ 354,798
Deduct:		
Well operating expenses	49,542	
Transportation of oil to refinery	40,793	
Field administrative expenses	15,341	
Amortization of property and equipment	79,899	185,575
Net income from operations		169,223
Add profit on sale of interests in producing oil leases in Province of Alberta ..		10,341
Net income for the year		<u>\$ 179,564</u>

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 1966

Net income for the year — Oil Division	\$ 179,564
Investment income	127,400
	306,964
Less: Total expenditures — Exploration Division	207,114
Excess of revenue over expenditures	<u>\$ 99,850</u>

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED OCTOBER 31, 1966

Balance, November 1, 1965	\$ 367,398
Add:	
Advances to Johnsby Mines Limited written off	70,000
	437,398
Less:	
Excess of revenue over expenditures, per Consolidated Statement of Operations	\$ 99,850
Adjustment of prior years' income taxes	463
Balance, October 31, 1966	<u>\$ 337,085</u>

RAYROCK MINES LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED OCTOBER 31, 1966

SOURCE OF FUNDS

Excess of revenue over expenditures, per Statement of Operations	\$ 99,850	
Amortization of property and equipment	79,899	
Other charges included in Statement of Operations but not requiring a disbursement of funds this year	17,959	
Realization of portion of advances to Johnsby Mines Limited	12,500	
Decrease in sundry accounts receivable	1,141	
Decrease in prepaid expenses	639	
Adjustment of prior years' corporation taxes	463	\$ 212,451

APPLICATION OF FUNDS

Purchase of shares of other companies	236,044	
Cost of acquiring option on mining claims in Province of New Brunswick	3,439	
Oil lease acquisition costs	266	
Purchase of well equipment	1,507	
Purchase of head office furniture	1,071	
Interests in unexpended funds of mining exploration syndicates	13,323	255,650
Decrease in working capital		<u>\$ 43,199</u>

WORKING CAPITAL

Net current assets, November 1, 1965	\$ 818,484
Decrease, as above	43,199
Net current assets, October 31, 1966	<u>\$ 775,285</u>

RAYROCK MINES LIMITED

MINING DIVISION

ICON SYNDICATE

Copper production is scheduled for May 1967 at a milling rate of 600 tons per day from the Icon Syndicate's O'Sullivan Township property in the Chibougamau mining camp of northwestern Quebec. Initial production will be from open pit mining operations where some 250,000 tons of high grade ore have been outlined by drilling averaging 5.94 per cent (119 pounds) of copper per ton. The ore will be trucked on an all-weather provincial highway and milled by Merrill Island Mining Corporation, thus eliminating large capital expenditures for mill and plant construction.

Rayrock holds equal participation in the Icon Syndicate with Kerr Addison Mines Limited, Gunnar Mining Limited and Newmont Mining Corporation of Canada.

Discovery of the copper orebodies by the Icon Syndicate came as a result of aerial geophysics followed by prospecting and ground geophysics. A concentrated diamond drilling program started in January 1966 and, to date, some 29,000 feet of drilling have been completed. Drilling is continuing.

Ore reserves as of December 31, 1966, calculated by A. J. Troop, Manager of the Icon Syndicate, are 756,400 tons with an average grade of 3.58 per cent copper. There are ore grade drill intersections beyond the limits of the calculated ore reserves and these will be followed up by further drilling. There are 252,030 tons, grading 5.94 per cent copper, to be mined by open pit and 504,370 tons, grading 2.40 per cent copper, to be mined by adit entry from underground using inexpensive trackless mining methods.

The Icon Syndicate will continue actively in exploration with particular emphasis in the Chibougamau area where the Syndicate has several large claim holdings.

JOHNSBY MINES LIMITED (British Columbia)

Metal production from the property of Johnsby Mines Limited, controlled jointly by Rayrock and Metal Mines Limited, was continued until September 1966 when operations were terminated. In the Mammoth workings the grade of ore fell below economic limits and mining there was suspended in June. In the Hecla section of the mine some high grade ore was found but proved of limited extent.

During the eleven month period, November 1965 to September 1966, 7,515 tons of ore grading 7.72 ounces of silver per ton, 3.01 per cent lead, and 5.36 per cent zinc, were trucked and milled. Concentrates produced had a net value at the smelter of \$162,650.

REDFORT SYNDICATE (Yukon Territory)

Rayrock holds a 30 per cent interest in 160 claims acquired by staking and located near Fort



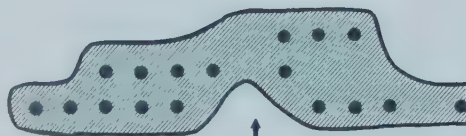
Stripping of overburden is carried out on the No. 1 Zone of the Icon Syndicate's Chibougamau property.



ICON SYNDICATE

O'SULLIVAN TOWNSHIP

CHIBOUGAMAU AREA, QUEBEC



NO.2 ORE ZONE

OPEN PIT

(Diamond drilling continuing to the east)

145,300 TONS of ORE GRADING 7.92% COPPER

O'Sullivan Twp. centre line

ORE GRADE INTERSECTIONS

(not included in ore estimates)



NO.1 ORE ZONE

TO BE MINED BY ADIT ENTRY

504,370 TONS of ORE GRADING 2.40% COPPER

NO.1 ORE ZONE

OPEN PIT

106,730 TONS of ORE GRADING 3.28% COPPER



ORE OUTLINED TO DATE

756,400 TONS GRADING 3.58% COPPER

0 400 800 1200
FEET

• Vertical holes drilled in ore zone

▨ Outline of ore zone

RAYROCK MINES LIMITED

Liard in the Yukon Territory. The Redfort claims adjoin a silver-lead-zinc property controlled by American Smelting and Refining Limited.

During 1966 the Redfort claims were mapped and an airborne magnetic and electromagnetic survey was completed. Results of the latter work are not yet available, however, a preliminary interpretation indicates that there are several anomalous areas that warrant further attention.

VELVET MINE (British Columbia)

Your Company, in equal participation with Hydra Explorations Limited, carried out an underground exploration program at the Velvet Mine, a former copper-gold producer located 14 miles southwest of Rossland, B.C.

Geological mapping of the six accessible levels and underground diamond drilling indicated extremely complex structural conditions which severely limit ore potential. The main orebody occurs as a relatively flat lying sulphide replacement zone at the contact between greenstone and serpentinite. This has been extensively faulted and only remnants remain. Ore occurs in scattered small blocks with little possibility of appreciable tonnage, therefore the option on the property was dropped.

POPELOGAN SYNDICATE (New Brunswick)

Rayrock joined with Augustus Exploration Limited, Frobex Limited and Pacific Petroleum Limited in the exploration of a 5,000 acre property located near Campbellton, New Brunswick. Sulphide mineralization had been found in the immediate area in earlier work.

First work on the property consisted of an induced polarization survey. Eight conductors were defined and four of these were tested by six diamond drill holes. Considerable pyrite/pyrrhotite mineralization in quantities sufficient to account for the geophysical anomalies was

intersected. However, only negligible quantities of base metal mineralization were encountered. Work has been terminated.

SULPHUR BAY (Northwest Territories)

The Company's Sulphur Bay property, covering 8,100 acres, is located on the north shore of Great Slave Lake in the Northwest Territories. The property is underlain by rocks identical to those associated with the lead-zinc mineralization at Pine Point. So far, no economic mineralization has been found in the exploration work carried out on the property. A stratigraphic study is to be made and further work will depend on developments in the area.

LESUEUR TOWNSHIP (Quebec)

In 1965 your Company optioned 55 claims in Lesueur Township in the Bachelor Lake area of Quebec. The claims were located along a favourable greenstone belt. A magnetic survey indicated two anomalous areas of possible mineralization. The areas were checked during the past year by electromagnetic survey with negative results and the option was dropped.

GENERAL

The Company's geological staff was engaged in various exploration projects during the year.

A particular study was made of the Quesnel-Williams Lake, B.C. area where Caribou Bell Mines Limited and Gibraltar Mines Limited are exploring large low grade copper deposits. Several properties were available but potential seemed low and none was acquired.

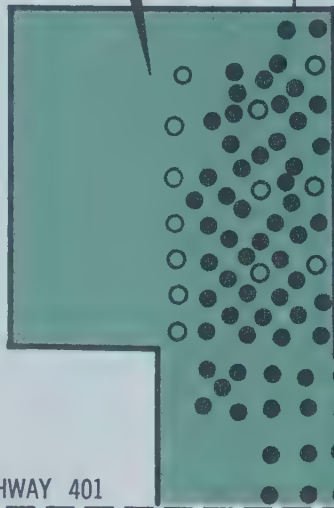
Your Company continues to participate in several Grubstake Syndicates consisting usually of an experienced prospector and helper. Although their numbers are declining, these prospectors continue to play an important part in the search for minerals.

RAYROCK MINES LIMITED

OIL PRODUCTION HOLDINGS IN SOUTHWESTERN ONTARIO



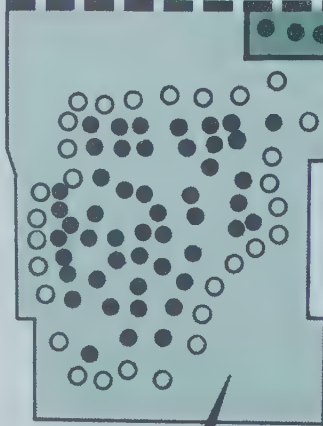
RAYROCK
100%



HIGHWAY 401

RODNEY FIELD

RAYROCK
40%

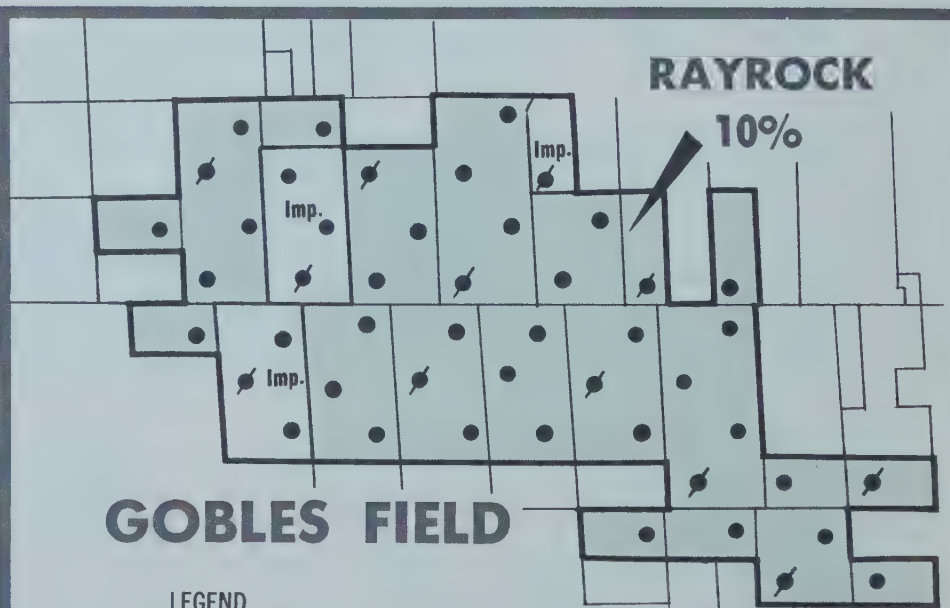


LEGEND FOR RODNEY FIELD

- CANADA-CITIES SERVICE PETROLEUM CORP.
- RAYROCK-ALCON PETROLEUMS
- OIL WELL
- WATER INJECTION WELL

RAYROCK

10%



GOBLES FIELD

LEGEND

- OIL WELL
- ⚡ PROPOSED WATER INJECTION WELL
- Imperial Oil Limited

RAYROCK MINES LIMITED

PETROLEUM DIVISION

Net income from your Company's petroleum division in the latest fiscal year represents a 10 per cent gain over net returns in the year ended October 31, 1965. It is anticipated that net income in 1967 will further increase as a result of important new property interests and reserves which have recently been acquired by Rayrock, and from the effect of higher production from existing wells.

The Rodney oil field of southwestern Ontario (see map) will continue to be the main source of income. Net oil sales from the Rodney field to the Imperial Oil Refinery, Sarnia, for the fiscal year ending October 31, 1966, were 123,496 barrels, with a gross value of \$390,247, compared with 118,247 barrels at a gross value of \$374,112 for fiscal 1965.

Net operating profit (before amortization of property and equipment) for fiscal 1966 was \$249,122. This includes a small interest in production from the Redwater oil field near Edmonton, Alberta.

Total production from the Rodney oil field since acquisition by your Company in January,

1962, is 537,952 barrels with a value of \$1,707,954 to October 31, 1966.

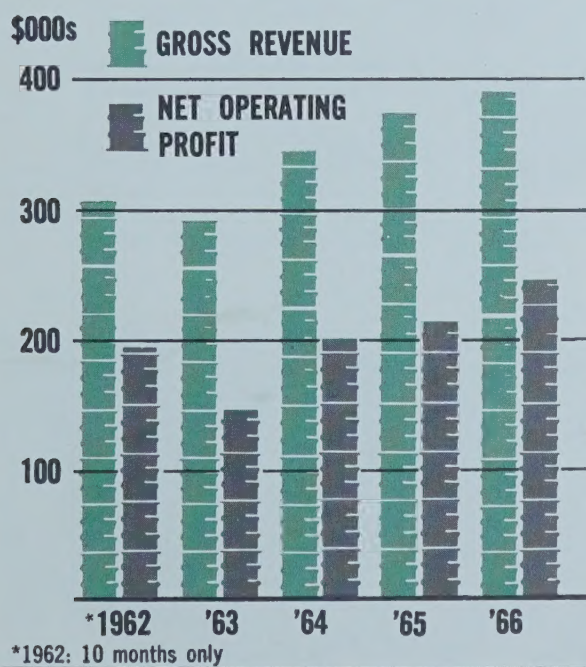
The accompanying graph shows gross income and net operating profit by years since January 1, 1962.

The production increase from the Rodney field since July, 1963, is due to a water flood project which started in 1962. Average daily oil production for the year 1966 was 338 barrels per day compared with 324 barrels per day for 1965. We are pleased to report that current production is in excess of 350 barrels per day.

Shareholders will be interested to know that Rayrock has recently purchased a 40 per cent interest in the R & R Unit of the Rodney field and a 10 per cent interest in the Gobles oil field near Woodstock, Ontario (see map). Rayrock has been engaged to act as Operator of the R & R Unit and the Gobles oil field on a fee basis which will assist in reducing our Head Office Administration costs.

By this transaction, your Company's oil reserves have increased by approximately 600,000 barrels at a cost to the Company of 54 cents per barrel in the ground, compared with an average price received at the Imperial Refinery in Sarnia of \$3.20 per barrel.

Oil production income



EXPLORATION AND GENERAL

In association with other participants, near the fiscal year end, Rayrock acted as Operator in the drilling of another Cambrian test (depth 3,290 feet) near Tillsonburg in southwestern Ontario. Although porous sand was encountered with a thickness of approximately 50 feet, and a small hydrocarbon occurrence, the well was abandoned in October, 1966. All of this acreage has been retained.

For the information of recent shareholders, Rayrock has participated in the petroleum industry for several years in western Canada — and latterly in southwestern Ontario — with considerable success. Your management is experienced in the oil industry and is in touch with new developments in both areas.

Since 1951 oil and natural gas liquid reserves in Canada have increased from 1.2 billion barrels to 8.5 billion barrels in 1966. Oil production has increased from 132,000 barrels per day to 951,000 barrels per day. It is expected that oil production will reach 1,500,000 barrels per day by 1975. Rayrock will continue to increase its participation in this spectacular growth whenever feasible.

RAYROCK MINES LIMITED



Rodney Field photographs depict part of Rayrock's petroleum interests. Above, the field office and storage tanks are shown. The photo at left shows oil loading for transport to Sarnia. Lower photo shows a view of the tank battery of the R & R unit where Rayrock has recently acquired 40% interest.



